

CITY OF SPIRIT LAKE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

CITY OF SPIRIT LAKE

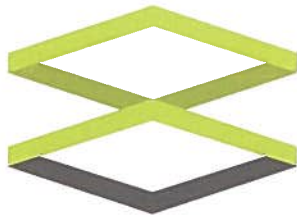
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CITY OF SPIRIT LAKE

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Blain Andera	Mayor	December 31, 2017
Jerry Harbst	Council Member	December 31, 2019
Jeff Thee	Council Member (to January 2016)	
Kevin Bice	Council Member	December 31, 2019
Tim Chapman	Council Member (from January 2016)	December 31, 2019
John Chappas	Council Member	December 31, 2017
Donna Fisher	Council Member	December 31, 2017
Gregg Owens	Clerk/Administrator	December 31, 2017
Gregg Owens	Attorney	December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Spirit Lake
Spirit Lake, IA 51360

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake as of June 30, 2016 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Spirit Lake's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on the financial statements for the three years ended June 30, 2009 which were prepared in conformity with accounting principles generally accepted in the United States of America and unmodified opinions on the financial statements for the six years ended June 30, 2015 which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis on pages 5 through 11 and the information on Schedules 5 through 7, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of the City of Spirit Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spirit Lake's internal control over financial reporting and compliance.

Winter, Starn + Co., LLP

December 2, 2016
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Spirit Lake provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 Financial Highlights

- The City's total cash basis net position increased 14.63% or approximately \$981,200 from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased by approximately \$685,700 and the cash basis net position of the business type activities increased by approximately \$295,500.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the nonmajor governmental funds, information on the City's debt and shows the receipts and disbursements of the governmental funds for the last ten years.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting The City as a Whole

Cash Basis Statement of Activities and Net Position

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and the solid waste department. These activities are financed primarily by user charges.

Reporting the City's most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes. The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing and Road Use Tax, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and solid waste funds, considered to be major funds of the City. The Internal Service Funds are used to account for the City's self-insurance and to account for reserves accumulated to fund future equipment purchases.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund statements follow the fund financial statements.

Government-Wide Financial Analysis

The City's cash balance for governmental activities increased by \$685,695 for the year ended June 30, 2016. The following analysis focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position For the Year Ended June 30,			
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services	\$ 117,440	\$ 111,788	\$ 5,652
Operating grants, contributions, and restricted interest	786,363	1,064,860	(278,497)
Capital grants, contributions, and restricted interest ..	265,685	1,625,142	(1,359,457)
General receipts:			
Property and other city taxes	2,531,836	2,475,027	56,809
Tax increment financing	2,446,244	2,313,443	132,801
Local option sales tax	1,002,960	1,060,706	(57,746)
Unrestricted investment earnings	8,201	6,341	1,860
Unrestricted miscellaneous	48,007	32,208	15,799
Bond and note proceeds	<u>6,177,106</u>	<u>4,807,540</u>	<u>1,369,566</u>
Total receipts	<u>13,383,842</u>	<u>13,497,055</u>	<u>(113,213)</u>
Disbursements:			
Public safety	1,202,992	1,166,696	36,296
Public works	992,359	907,211	85,148
Health and social services	36,175	33,725	2,450
Culture and recreation	639,296	630,825	8,471
Community and economic development	239,247	717,713	(478,466)
General government	395,900	378,492	17,408
Debt service	7,815,701	6,498,858	1,316,843
Capital projects	<u>1,852,470</u>	<u>3,951,168</u>	<u>(2,098,698)</u>
Total disbursements	<u>13,174,140</u>	<u>14,284,688</u>	<u>(1,110,548)</u>
Change in cash basis net position before transfers	209,702	(787,633)	997,335
Net transfers	<u>475,993</u>	<u>268,495</u>	<u>207,498</u>
Change in cash basis net position	685,695	(519,138)	1,204,833
Cash basis net position - beginning of year	<u>2,923,919</u>	<u>3,443,057</u>	<u>(519,138)</u>
Cash basis net position - end of year	<u>\$ 3,609,614</u>	<u>\$ 2,923,919</u>	<u>\$ 685,695</u>

Operating grants, contributions and restricted interest and capital grants, contributions and restricted interest decreased due to less intergovernmental income. Bond and note proceeds increased due to a large refunding bond issue. Debt service disbursements increased due to the refunding of bonds. Community and economic development disbursements decreased due to an economic development grant received last fiscal year. Capital project disbursements decreased due to less capital projects this fiscal year as opposed to last.

The City's cash balance for business type activities increased by \$295,476 for the year ended June 30, 2016. The following analysis focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position For the Year Ended June 30,			
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services:			
Water	\$1,997,214	\$2,006,245	\$ (9,031)
Sewer	330,905	330,056	849
Solid waste	917,447	915,437	2,010
Operating grants, contributions and restricted interest	26,171	41,230	(15,059)
Capital grants, contributions, and restricted interest ..			
General receipts:			
Unrestricted investment earnings	<u>14,567</u>	<u>10,503</u>	<u>4,064</u>
Total receipts	<u>3,286,304</u>	<u>3,303,471</u>	<u>(17,167)</u>
Disbursements:			
Water	1,381,968	1,542,546	(160,578)
Sewer	342,706	127,669	215,037
Solid waste	<u>790,161</u>	<u>803,845</u>	<u>(13,684)</u>
Total disbursements	<u>2,514,835</u>	<u>2,474,060</u>	<u>40,775</u>
Change in cash basis net position before transfers	771,469	829,411	(57,942)
Net transfers	<u>(475,993)</u>	<u>(268,495)</u>	<u>(207,498)</u>
Change in cash basis net position	295,476	560,916	(265,440)
Cash basis net position - beginning of year	<u>3,780,723</u>	<u>3,219,807</u>	<u>560,916</u>
Cash basis net position - end of year	<u>\$4,076,199</u>	<u>\$3,780,723</u>	<u>\$295,476</u>

Total receipts for business type activities were slightly less in fiscal year 2016 than in fiscal year 2015. Total disbursements were slightly more due to more sewer capital asset purchases.

Individual Major Governmental Fund Analysis

Changes in Cash Balances - Governmental Funds For the Year Ended June 30,		
	<u>2016 All Funds</u>	<u>2015 All Funds</u>
Receipts	\$ 7,205,130	\$ 8,688,302
Disbursements	<u>13,172,149</u>	<u>14,290,772</u>
Net	(5,967,019)	(5,602,470)
Other financing sources	<u>6,619,099</u>	<u>5,066,035</u>
Increase (decrease) in cash balances	652,080	(536,435)
Cash balances - beginning of year	<u>2,850,239</u>	<u>3,386,674</u>
Cash balances - end of year	<u>\$ 3,502,319</u>	<u>\$ 2,850,239</u>

The governmental funds reported a combined cash balance of \$3,502,319 which was an increase of \$652,080 from the balance at June 30, 2015. All funds reported a modest increase in cash balances.

Individual Major Business Type Fund Analysis

Changes in Cash Balances - Proprietary Funds For the Year Ended June 30,

	2016 Enterprise Funds	2015	2016 Internal Service Funds	2015
Operating receipts	\$3,264,822	\$3,283,287	\$ 40,704	\$ 39,636
Operating disbursements	<u>2,041,098</u>	<u>2,109,097</u>	<u>42,798</u>	<u>28,181</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	1,223,724	1,174,190	(2,094)	11,455
Non-operating receipts (disbursements)	(453,653)	(351,732)	3,107	2,795
Net transfers	<u>(400,993)</u>	<u>(343,495)</u>	<u>(41,000)</u>	<u>85,000</u>
Increase (decrease) in cash balances	369,078	478,963	(39,987)	99,250
Cash balances - beginning of year	<u>3,076,235</u>	<u>2,597,272</u>	<u>778,168</u>	<u>678,918</u>
Cash balances - end of year	<u>\$3,445,313</u>	<u>\$3,076,235</u>	<u>\$ 738,181</u>	<u>\$ 778,168</u>

The enterprise funds reported a cash balance of \$3,445,313 which was an increase of \$369,078 over the balances at June 30, 2015. Water, sewer, and solid waste funds all showed modest increases in cash balances.

The internal service fund reported a modest decrease in cash balances to a total of \$738,181.

Budgetary Highlights

During the year, the City amended the budget once. The amendment was approved on May 24, 2016. This amendment was primarily needed to budget for a refunding bond issue and the related refunding of the bonds. Total disbursements for the year did not exceed the final budgeted amounts.

Debt Administration

At June 30, 2016, the City had \$29,525,000 of outstanding bonds and notes, compared to \$30,755,000 last year as detailed below:

Outstanding Debt at Year-End		June 30,	
		<u>2016</u>	<u>2015</u>
General obligation bonds and notes	\$17,675,000	\$17,675,000	\$17,525,000
General obligation annual appropriation bonds	10,260,000	10,260,000	11,425,000
Water revenue capital loan notes	<u>1,590,000</u>	<u>1,590,000</u>	<u>1,805,000</u>
Total		<u>\$29,525,000</u>	<u>\$30,755,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. A computation of the City's available debt capacity is as follows;

Constitutional debt limit		\$24,487,235
General obligation bonds and notes	\$17,675,000	
Principal and interest due within the next fiscal year on general obligation annual appropriation bonds	<u>1,443,510</u>	
Total subject to constitutional debt limitation		<u>19,118,510</u>
Available debt capacity		<u>\$ 5,368,725</u>
Percentage of debt limit available		<u>21.92%</u>

The City issued \$6,040,000 of general obligation bonds and notes during the year ended June 30, 2016. The proceeds were used to refinance several bond issues and fund a capital project.

Economic Factors Bearing on the City's Future

General economic conditions continue to improve within the City of Spirit and surrounding areas, with a positive effect on the City's financial condition.

The City increased its General Fund ending cash balance in fiscal year 2016 by 22% to \$2,195,707. The General Fund ending balances represent 74% of disbursements plus net transfers out, compared to our goal of at least 25% of expenditures. In fiscal year 2016, the City budgeted to use General Fund balances to avoid debt and place funds in capital reserves and the City projects those reserves will continue to remain above the 25% level.

Some older residential development agreements historically have limited the City's ability to reduce debt levels; however, those agreements, as work proceeds under the agreements, have continued to create and stimulate residential and commercial development. Refunding has allowed the City to take advantage of lower interest rates and restructure most of that remaining debt. Most of the infrastructure investment required by those agreements has now been completed and the City has seen the benefits of increased residential housing starts, and commercial construction in those areas.

A major multi-residential/commercial development project was completed in summer of 2016, including a new major street. The developer has already sold part of the development for planned multi-residential construction scheduled to start construction late in fiscal year 2017. Pursuant to a developer agreement, the developer has the option (not yet exercised) to access a limited tax increment financing rebate to offset some of the costs of construction, as the property subsequently develops.

Net long-term general obligation debt was reduced by \$1,015,000 in fiscal year 2016. The City expects a further net reduction in fiscal year 2017.

The City continues to experience increases in taxable valuation, which increases debt capacity and allows property tax receipts to increase with the tax levy rate held steady at \$10.54 per thousand taxable valuation. This tax rate was approved for fiscal year 2017 for the eighth straight year. City Administration believes that the current levy rate will continue through fiscal year 2017 and the City will be able to maintain current services without affecting its financial condition. There is additional capacity for the City to raise property tax rates, but no present need or plans to do so.

Infrastructure improvements to the City's street and sewer systems were made in fiscal year 2016 and to continue into fiscal year 2017 to enhance and maintain services for residents.

Economic activity is very strong. New single family home and commercial construction activity has increased and employment is at or near full employment. Multi-family housing construction has increased significantly, including a new \$5 million large apartment complex underway in fiscal year 2016 and scheduled for completion in fiscal year 2017. There has also been a significant increase in new commercial construction. Major employers in the area have remained steady in employment. Tourism, a major factor in the area economy, continues to be strong. Sales tax revenue remains near historic highs and is increasing.

The City's workforce has remained steady; health insurance premium increases have averaged lower than projected the past few fiscal years; and no major events have occurred to disrupt regular operations. Equipment and vehicle replacement occurs on schedule with current funding. The City has increased its liability insurance coverage but seen the benefits of very low increases in rates, and is accumulating cash in various funds to pay costs of future equipment acquisitions and building improvements. Water and sewer rate increases were approved for fiscal year 2015 and fiscal year 2016.

In summary, the City of Spirit Lake is in good financial condition and the outlook continues to be positive.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Hall, 1803 Hill Avenue, Spirit Lake, Iowa 51360.

BASIC FINANCIAL STATEMENTS

CITY OF SPIRIT LAKE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

			Program Receipts	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 1,202,992	\$ 98,490	\$ 47,825	\$ -
Public works	992,359	-	598,371	-
Health and social services	36,175	-	-	-
Culture and recreation	639,296	17,228	48,881	-
Community and economic development	239,247	-	91,128	-
General government	395,900	1,722	-	-
Debt service	7,815,701	-	158	-
Capital projects	<u>1,852,470</u>	<u>-</u>	<u>-</u>	<u>265,685</u>
Total governmental activities	<u>13,174,140</u>	<u>117,440</u>	<u>786,363</u>	<u>265,685</u>
Business type activities:				
Water	1,381,968	1,997,214	21,217	-
Sewer	342,706	330,905	155	-
Solid waste	<u>790,161</u>	<u>917,447</u>	<u>4,799</u>	<u>-</u>
Total business type activities	<u>2,514,835</u>	<u>3,245,566</u>	<u>26,171</u>	<u>-</u>
TOTAL	\$ 15,688,975	\$ 3,363,006	\$ 812,534	\$ 265,685

General Receipts:

Property and other city taxes levied for:

General purposes	
Debt Service	
Commercial and industrial replacement	
Tax increment financing	
Local option sales tax	
Unrestricted investment earnings	
Unrestricted miscellaneous	
Bond proceeds - net	
Operating transfers	
Total general receipts and transfers	

CHANGE IN CASH BASIS NET POSITION

CASH BASIS NET POSITION -

BEGINNING OF YEAR

CASH BASIS NET POSITION - END OF YEAR

CASH BASIS NET POSITION:

Restricted, expendable for:

Urban renewal purposes	
Debt Service	
Capital projects	
Streets	
Other purposes	
Unrestricted	

TOTAL CASH BASIS NET POSITION

CITY OF SPIRIT LAKE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (1,056,677)	\$ -	\$ (1,056,677)
(393,988)	-	(393,988)
(36,175)	-	(36,175)
(573,187)	-	(573,187)
(148,119)	-	(148,119)
(394,178)	-	(394,178)
(7,815,543)	-	(7,815,543)
(1,586,785)	-	(1,586,785)
<u>(12,004,652)</u>	<u>-</u>	<u>(12,004,652)</u>
-	636,463	636,463
-	(11,646)	(11,646)
-	<u>132,085</u>	<u>132,085</u>
-	<u>756,902</u>	<u>756,902</u>
<u>(12,004,652)</u>	<u>756,902</u>	<u>(11,247,750)</u>
2,299,717	-	2,299,717
70,186	-	70,186
161,933	-	161,933
2,446,244	-	2,446,244
1,002,960	-	1,002,960
8,201	14,567	22,768
48,007	-	48,007
6,177,106	-	6,177,106
475,993	(475,993)	-
<u>12,690,347</u>	<u>(461,426)</u>	<u>12,228,921</u>
685,695	295,476	981,171
<u>2,923,919</u>	<u>3,780,723</u>	<u>6,704,642</u>
<u>\$ 3,609,614</u>	<u>\$ 4,076,199</u>	<u>\$ 7,685,813</u>
\$ 217,038	\$ -	\$ 217,038
14,624	289,863	304,487
211,729	-	211,729
537,850	-	537,850
325,371	23,918	349,289
<u>2,303,002</u>	<u>3,762,418</u>	<u>6,065,420</u>
<u>\$ 3,609,614</u>	<u>\$ 4,076,199</u>	<u>\$ 7,685,813</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	Tax Increment <u>Financing</u>	Road Use <u>Tax</u>
RECEIPTS:			
Property tax	\$ 1,704,794	\$ -	\$ -
Tax increment financing	-	2,446,244	-
Other city taxes	1,193,144	-	-
Licenses and permits	47,590	-	-
Use of money and property	8,189	2,021	-
Intergovernmental	221,312	6,619	598,371
Charges for service	33,145	-	-
Miscellaneous	153,398	-	-
TOTAL RECEIPTS	<u>3,361,572</u>	<u>2,454,884</u>	<u>598,371</u>
DISBURSEMENTS:			
Public safety	988,443	-	-
Public works	425,541	-	488,950
Health and social services	36,175	-	-
Culture and recreation	531,494	-	-
Community and economic development	158,310	80,937	-
General government	353,506	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>2,493,469</u>	<u>80,937</u>	<u>488,950</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>868,103</u>	<u>2,373,947</u>	<u>109,421</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	6,600	-	-
Operating transfers out	(476,249)	(2,356,246)	(50,000)
Bond proceeds, including \$137,106 net premium	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(469,649)</u>	<u>(2,356,246)</u>	<u>(50,000)</u>
NET CHANGE IN CASH BALANCES	398,454	17,701	59,421
CASH BALANCES - BEGINNING OF YEAR	<u>1,797,253</u>	<u>199,337</u>	<u>478,429</u>
CASH BALANCES - END OF YEAR	<u>\$ 2,195,707</u>	<u>\$ 217,038</u>	<u>\$ 537,850</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes	-	217,038	-
Debt service	-	-	-
Capital projects	-	-	-
Streets	-	-	537,850
Employee benefits	-	-	-
Police purposes	-	-	-
Library purposes	-	-	-
Committed for economic development	397,515	-	-
Assigned for park development	29,747	-	-
Assigned for building maintenance	50,196	-	-
Assigned for social services	9,500	-	-
Unassigned	1,708,749	-	-
TOTAL CASH BASIS NET POSITION	<u>\$ 2,195,707</u>	<u>\$ 217,038</u>	<u>\$ 537,850</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total
\$ 68,819	\$ -	\$ 392,692	\$ 2,166,305
-	-	-	2,446,244
1,367	-	12,047	1,206,558
-	-	-	47,590
158	181	736	11,285
3,288	265,685	31,968	1,127,243
-	-	-	33,145
-	-	13,362	166,760
<u>73,632</u>	<u>265,866</u>	<u>450,805</u>	<u>7,205,130</u>
-	-	213,691	1,202,134
-	-	77,394	991,885
-	-	-	36,175
-	-	107,383	638,877
-	-	-	239,247
-	-	42,154	395,660
7,815,701	-	-	7,815,701
-	1,852,470	-	1,852,470
<u>7,815,701</u>	<u>1,852,470</u>	<u>440,622</u>	<u>13,172,149</u>
<u>(7,742,069)</u>	<u>(1,586,604)</u>	<u>10,183</u>	<u>(5,967,019)</u>
3,213,888	104,000	-	3,324,488
-	-	-	(2,882,495)
<u>4,539,677</u>	<u>1,637,429</u>	<u>-</u>	<u>6,177,106</u>
<u>7,753,565</u>	<u>1,741,429</u>	<u>-</u>	<u>6,619,099</u>
11,496	154,825	10,183	652,080
<u>3,128</u>	<u>56,904</u>	<u>315,188</u>	<u>2,850,239</u>
<u>\$ 14,624</u>	<u>\$ 211,729</u>	<u>\$ 325,371</u>	<u>\$ 3,502,319</u>
-	-	-	217,038
14,624	-	-	14,624
-	211,729	-	211,729
-	-	-	537,850
-	-	199,011	199,011
-	-	26,420	26,420
-	-	99,940	99,940
-	-	-	397,515
-	-	-	29,747
-	-	-	50,196
-	-	-	9,500
-	-	-	1,708,749
<u>\$ 14,624</u>	<u>\$ 211,729</u>	<u>\$ 325,371</u>	<u>\$ 3,502,319</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE
 CASH BASIS STATEMENT OF ACTIVITIES AND
 NET POSITION - GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B \$3,502,319

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds and to
 fund future equipment purchases. A portion of the cash balances of the
 internal service funds is included in governmental activities in the Cash Basis
 Statement of Activities and Net Position. 107,295

CASH BASIS NET POSITION OF
 GOVERNMENTAL ACTIVITIES PER EXHIBIT A \$3,609,614

NET CHANGE IN CASH BALANCES PER EXHIBIT B \$ 652,080

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds and to
 fund future equipment purchases. A portion of the change in the cash
 balances of the internal services funds is included in governmental activities in
 the Cash Basis Statement of Activities and Net Position. 33,615

CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL
 ACTIVITIES PER EXHIBIT A \$ 685,695

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
OPERATING RECEIPTS:				
Charges for services	\$ 1,997,214	\$ 330,905	\$ 917,447	\$ 3,245,566
Charges to operating funds	-	-	-	-
Miscellaneous	14,647	88	4,521	19,256
TOTAL OPERATING RECEIPTS	2,011,861	330,993	921,968	3,264,822
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services	(1,135,263)	(121,391)	(784,444)	(2,041,098)
Insurance charges and claims	-	-	-	-
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	876,598	209,602	137,524	1,223,724
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	5,254	2,946	3,557	11,757
Lease income	6,000	-	-	6,000
Purchase of capital assets	-	(221,205)	(5,100)	(226,305)
Debt service payments:				
Revenue note principal	(215,000)	-	-	(215,000)
Revenue note interest	(29,605)	-	-	(29,605)
Legal and other bond costs	(500)	-	-	(500)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	(233,851)	(218,259)	(1,543)	(453,653)
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	642,747	(8,657)	135,981	770,071
OPERATING TRANSFERS IN	-	150,000	-	150,000
OPERATING TRANSFERS OUT	(477,204)	(46,989)	(26,800)	(550,993)
NET CHANGE IN CASH BALANCES	165,543	94,354	109,181	369,078
CASH BALANCES - BEGINNING OF YEAR	1,182,355	649,254	1,244,626	3,076,235
CASH BALANCES - END OF YEAR	<u>\$ 1,347,898</u>	<u>\$ 743,608</u>	<u>\$ 1,353,807</u>	<u>\$ 3,445,313</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Revenue note retirement	\$ 289,863	\$ -	\$ -	\$ 289,863
Water deposits	23,918	-	-	23,918
Unrestricted	1,034,117	743,608	1,353,807	3,131,532
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,347,898</u>	<u>\$ 743,608</u>	<u>\$ 1,353,807</u>	<u>\$ 3,445,313</u>

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Internal Service Funds		
Self-Insurance	Equipment Revolving	Total
\$ -	\$ -	\$ -
38,480	-	38,480
<u>2,224</u>	<u>-</u>	<u>2,224</u>
40,704		40,704
-	-	-
<u>(42,798)</u>	<u>-</u>	<u>(42,798)</u>
(2,094)	-	(2,094)
331	2,776	3,107
-	-	-
-	-	-
-	-	-
-	-	-
<u>331</u>	<u>2,776</u>	<u>3,107</u>
(1,763)	2,776	1,013
24,000	85,000	109,000
<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
22,237	(62,224)	(39,987)
<u>81,637</u>	<u>696,531</u>	<u>778,168</u>
<u>\$ 103,874</u>	<u>\$ 634,307</u>	<u>\$ 738,181</u>
\$ -	\$ -	\$ -
-	-	-
<u>103,874</u>	<u>634,307</u>	<u>738,181</u>
<u>\$ 103,874</u>	<u>\$ 634,307</u>	<u>\$ 738,181</u>

CITY OF SPIRIT LAKE
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF
 ACTIVITIES AND NET POSITION - PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D \$3,445,313

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds and to
 fund future equipment purchases. A portion of the cash balances of the internal
 service funds is included in business type activities in the Cash Basis Statement
 of Activities and Net Position. 630,886

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$4,076,199

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D .. \$ 369,078

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds and to
 fund future equipment purchases. A portion of the change in cash balances
 of the internal service funds is included in business type activities in the Cash
 Basis Statement of Activities and Net Position. (73,602)

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$ 295,476

CITY OF SPIRIT LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spirit Lake, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spirit Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates the water, sewer, and solid waste utilities.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. It was determined that the City has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

Net position is reported in two categories:

Expendable restricted net position results when constraints placed on net use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation bonds and notes and other indebtedness incurred for urban renewal redevelopment projects.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection activities.

Additionally, the City reports the following proprietary funds:

The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Spirit Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Subsequent Events

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2016 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2016:

Cash on hand	\$ 806
Demand deposits	1,124,507
Certificates of deposit/savings accounts	<u>6,560,500</u>
	<u>\$7,685,813</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. DUE FROM SPIRIT LAKE DEVELOPMENT CORPORATION

The City has loaned the Spirit Lake Development Corporation \$325,000 to purchase land for future economic development. The loan is interest-free and is payable as the land is sold. No repayments were received during the year ended June 30, 2016.

4. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds/Notes</u>			<u>General Obligation Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,430,000	\$ 580,644	\$ 3,010,644	\$ 465,000	\$102,778	\$ 567,778
2018	2,438,978	511,225	2,950,203	461,022	97,360	558,382
2019	2,335,000	464,670	2,799,670	465,000	91,685	556,685
2020	2,300,000	413,245	2,713,245	480,000	84,870	564,870
2021	2,530,000	359,470	2,889,470	465,000	76,870	541,870
2022-2026	9,185,000	872,972	10,057,972	2,375,000	233,585	2,608,585
2027-2031	745,000	182,375	927,375	585,000	22,875	607,875
2032-2035	<u>675,000</u>	<u>59,400</u>	<u>734,400</u>			
Total	<u>\$22,638,978</u>	<u>\$3,444,001</u>	<u>\$26,082,979</u>	<u>\$5,296,022</u>	<u>\$710,023</u>	<u>\$6,006,045</u>

4. BONDS AND NOTES PAYABLE - Continued

Business-Type Activities

Year Ending June 30,	Water Revenue Capital Loan Notes			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 215,000	\$ 27,455	\$ 242,455	\$ 680,000	\$ 130,233	\$ 810,233
2018	220,000	24,983	244,983	681,022	122,343	803,365
2019	225,000	22,012	247,012	690,000	113,697	803,697
2020	225,000	18,525	243,525	705,000	103,395	808,395
2021	230,000	14,700	244,700	695,000	91,570	786,570
2022-2026	475,000	15,495	490,495	2,850,000	249,080	3,099,080
2027-2031				585,000	22,875	607,875
Total	<u>\$1,590,000</u>	<u>\$ 123,170</u>	<u>\$1,713,170</u>	<u>\$6,886,022</u>	<u>\$ 833,193</u>	<u>\$7,719,215</u>

General Obligation Bonds/Notes

General obligation bonds/notes to be serviced by the Debt Service Fund totaled \$27,935,000 at June 30, 2016.

The general obligation bonds reported under business type activities were issued to pay for water and sewer projects. They are anticipated to be repaid by those enterprise funds. In addition, a majority of the other general obligation bonds are anticipated to be repaid from tax increment financing revenues, local option sales tax funds, and general fund receipts. In compliance with statutory requirements, any payments from other funds are recorded as reimbursements to the Debt Service Fund in the City's accounting records. General obligation bonds/notes bear interest with rates ranging from .95% to 3.55%.

Revenue Notes

The City has pledged future water customer revenues, net of specific operating expenses, to repay the \$2,675,000 water revenue refunding capital loan notes issued in May 2012. The proceeds from the notes refunded water revenue capital loan notes issued in May 2003 which provided financing for a water plant addition. The notes are payable solely from water customer net revenues and are payable through 2023. Annual principal and interest payments are expected to require less than 28% of net revenues. Total principal and interest remaining to be paid on the notes are \$1,713,170. For the current year, principal and interest paid and total customer net revenues were \$244,605 and \$876,598, respectively. The notes bear interest with rates ranging from 1.15% to 2.20%.

The resolution providing for the issuance of the water revenue refunding capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking fund for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve fund until a specific minimum balance has been accumulated. This fund is restricted for the purposes of paying principal and interest payments when insufficient money is available in the sinking fund. The City has fully funded this reserve.

(D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2016, the City was in compliance with the revenue note resolution.

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Proprietary: Enterprise: Water	\$ 4,200	Shield transfer
	Sewer	600	Shield transfer
	Solid Waste	<u>1,800</u>	Shield transfer
		<u>6,600</u>	
Debt Service:	General	388,249	Debt payments
	Special Revenue: Tax increment financing	2,356,246	Debt payments
	Proprietary: Enterprise: Water	423,004	Debt payments
	Sewer	<u>46,389</u>	Debt payments
		<u>3,213,888</u>	
Capital Projects	General	54,000	Fund projects
	Special Revenue: Road Use Tax	<u>50,000</u>	Fund projects
		<u>104,000</u>	
Proprietary: Enterprise: Sewer	Proprietary: Equipment Revolving	<u>150,000</u>	Truck
Equipment Revolving	General	10,000	Budgeted transfer
	Proprietary: Enterprise: Water	50,000	Budgeted transfer
	Solid Waste	<u>25,000</u>	Budgeted transfer
		<u>85,000</u>	
Partial Self Funding	General	<u>24,000</u>	Property tax relief
TOTAL OPERATING TRANSFERS		<u>\$3,583,488</u>	

6. PENSION AND RETIREMENT BENEFITS

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or

calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll, and the City contributed 9.84% of covered payroll for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$183,213.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$908,555 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was .01839% which was an increase of .000287% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$103,617, \$256,619, and \$346,022, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$1,948,251	\$ 908,555	\$ 31,432

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer benefit plan which provides medical, dental, and prescription drug benefits to active and retired employees and their eligible dependents. There are 37 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical, dental, and prescription drug benefits are provided through an insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$434 for single coverage and \$1,013 for family coverage. For the year ended June 30, 2016, the City contributed \$248,492 and plan members eligible for benefits contributed \$52,682 to the plan.

8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2016 is as follows:

Governmental activities:

General fund	\$ 81,333
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Business type activities:

Proprietary:

Enterprise:

Water	18,415
Sewer	5,214
Solid waste	<u>3,519</u>
Total business type activities	<u>27,148</u>

TOTAL	<u>\$ 108,481</u>
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This liability has been computed based on rates of pay in effect at June 30, 2016.

9. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development and senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance at June 30, 2016 has not been determined.

10. COMMITMENTS

The City has entered into contracts for various construction projects. A summary of the projects is as follows:

Contracts total	\$4,064,306
Paid as of June 30, 2016	<u>3,909,491</u>
Balance to be paid	<u>\$ 154,815</u>

The City has committed funds to several nonprofit organizations. No contracts have been signed. The City will report the expenditures in the year payments are made.

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the City entered into construction contracts totaling \$2,341,241 for seal coating, storm sewer improvements, and raw water improvements projects.

12. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$109,118.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has established a partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Employee Benefits	Police Forfeiture	Friends of the Library	Total
RECIEPTS:				
Property tax	\$ 392,692	\$ -	\$ -	\$ 392,692
Other city taxes	12,047	-	-	12,047
Use of money and property	244	-	492	736
Intergovernmental	28,412	-	3,556	31,968
Miscellaneous	3,283	-	10,079	13,362
TOTAL RECEIPTS	<u>436,678</u>		<u>14,127</u>	<u>450,805</u>
DISBURSEMENTS:				
Public safety	211,781	1,910	-	213,691
Public works	77,394	-	-	77,394
Culture and recreation	83,614	-	23,769	107,383
General government	42,154	-	-	42,154
TOTAL DISBURSEMENTS	<u>414,943</u>	<u>1,910</u>	<u>23,769</u>	<u>440,622</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS				
	21,735	(1,910)	(9,642)	10,183
CASH BALANCES - BEGINNING OF YEAR				
	<u>177,276</u>	<u>28,330</u>	<u>109,582</u>	<u>315,188</u>
CASH BALANCES - END OF YEAR				
	<u>\$ 199,011</u>	<u>\$ 26,420</u>	<u>\$ 99,940</u>	<u>\$ 325,371</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Employee benefits	\$ 199,011	\$ -	\$ -	\$ 199,011
Police purposes	-	26,420	-	26,420
Library purposes	-	-	99,940	99,940
TOTAL CASH BASIS FUND BALANCES				
	<u>\$ 199,011</u>	<u>\$ 26,420</u>	<u>\$ 99,940</u>	<u>\$ 325,371</u>

CITY OF SPIRIT LAKE
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2016

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>
GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS:			
General obligation bonds, Series 2010A	8-10-2010		\$4,095,000
General obligation bonds, Series 2010B	8-10-2010		2,565,000
General obligation bonds, Series 2011	11-17-2011		1,025,000
General obligation storm sewer improvement bonds	7-15-2011		103,000
General obligation annual appropriation bonds, Series 2012A	7-26-2012	2.00 - 3.55%	9,095,000
General obligation annual appropriation bonds, Series 2012B	8-28-2012	1.75 - 3.00%	4,915,000
General obligation urban renewal bonds, Series 2012C	8-28-2012	1.55 - 2.15%	1,150,000
General obligation capital loan notes, Series 2013	10-22-2013	2.00 - 3.00%	1,735,000
General obligation capital loan notes, Series 2015	4-17-2015	1.50 - 2.50%	2,733,978
General obligation urban renewal bonds, Series 2014	11-26-2014	1.50 - 2.75%	1,515,000
General obligation capital loans notes, Series 2015B	12-08-2015	2.50 - 3.50%	1,620,000
General obligation refunding capital loan notes, Series 2016	5-12-2016	1.50 - 2.15%	3,985,000
TOTAL GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS			
GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS:			
General obligation refunding capital loan notes, Series 2016	5-12-2016	1.50 - 2.00%	435,000
General obligation refunding capital loan notes, Series 2012	5-22-2012	0.95 - 2.70%	6,300,000
General obligation bonds, Series 2011 (water)	11-17-2011		590,000
General obligation capital loan notes, Series 2015 (sewer)	4-17-2015	1.50 - 2.50%	436,022
TOTAL GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS			
TOTAL GENERAL OBLIGATION BONDS/NOTES			
REVENUE NOTES:			
Water revenue refunding capital loan notes, Series 2012	5-22-2012	1.15 - 2.20%	2,675,000

Schedule 2

<u>Final Due Date</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
	\$ 2,260,000		\$2,260,000		\$ 67,750
	1,705,000		1,705,000		48,060
	700,000		700,000		13,295
	15,000		15,000		487
6-01-2026	7,925,000		810,000	\$ 7,115,000	219,835
6-01-2024	3,500,000		355,000	3,145,000	80,200
6-01-2025	1,150,000			1,150,000	22,500
6-01-2025	1,680,000		155,000	1,525,000	36,692
6-01-2024	2,733,978		150,000	2,583,978	69,868
6-01-2026	1,515,000			1,515,000	51,151
6-01-2035		\$1,620,000		1,620,000	
6-01-2024		<u>3,985,000</u>		<u>3,985,000</u>	
	<u>23,183,978</u>	<u>5,605,000</u>	<u>6,150,000</u>	<u>22,638,978</u>	<u>609,838</u>
6-01-2022		435,000		435,000	
6-01-2028	4,815,000		355,000	4,460,000	87,722
	515,000		515,000		9,600
6-01-2027	<u>436,022</u>		<u>35,000</u>	<u>401,022</u>	<u>11,294</u>
	<u>5,766,022</u>	<u>435,000</u>	<u>905,000</u>	<u>5,296,022</u>	<u>108,616</u>
	<u>\$28,950,000</u>	<u>\$6,040,000</u>	<u>\$7,055,000</u>	<u>\$27,935,000</u>	<u>\$718,454</u>
6-01-2023	<u>\$ 1,805,000</u>		<u>\$ 215,000</u>	<u>\$ 1,590,000</u>	<u>\$ 29,605</u>

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES
JUNE 30, 2016

General Obligation Bonds/Notes						
Year Ending June 30,	Issued 7-26-2012 Series 2012A		Issued 8-28-2012 Series 2012B		Issued 8-28-2012 Series 2012C	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2017	2.00%	\$ 515,000	1.75%	\$ 650,000		
2018	2.25%	760,000	2.00%	400,000		
2019	2.50%	805,000	2.20%	350,000		
2020	2.60%	800,000	2.40%	350,000		
2021	3.00%	795,000	2.60%	350,000	1.55%	\$ 175,000
2022	3.05%	790,000	2.70%	350,000	1.75%	125,000
2023	3.10%	810,000	3.00%	350,000	2.00%	300,000
2024	3.30%	800,000	3.00%	345,000	2.00%	150,000
2025	3.40%	710,000			2.15%	400,000
2026	3.55%	330,000				
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
Total		<u>\$ 7,115,000</u>		<u>\$ 3,145,000</u>		<u>\$ 1,150,000</u>

General Obligation Bonds/Notes					
Year Ending June 30,	Issued 5-12-2016 Series 2016		Issued 4-7-2015 Series 2015		Subtotal (A)
	Interest Rate	Amount	Interest Rate	Amount	
2017	1.50%	\$ 655,000	1.50%	\$ 305,000	\$ 2,430,000
2018	1.50%	675,000	2.00%	298,978	2,438,978
2019	2.00%	560,000	2.00%	310,000	2,335,000
2020	2.00%	525,000	2.50%	315,000	2,300,000
2021	2.00%	545,000	2.50%	345,000	2,530,000
2022	2.00%	560,000	2.50%	340,000	2,490,000
2023	2.10%	365,000	2.50%	335,000	2,490,000
2024	2.15%	100,000	2.50%	335,000	2,060,000
2025					1,515,000
2026					630,000
2027					140,000
2028					145,000
2029					150,000
2030					155,000
2031					155,000
2032					160,000
2033					165,000
2034					170,000
2035					180,000
		<u>\$ 3,985,000</u>		<u>\$ 2,583,978</u>	<u>\$ 22,638,978</u>

See Accompanying Independent Auditors' Report

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES - cont.
JUNE 30, 2016

General Obligation Bonds/Notes

Issued 12-8-2015 Series 2015B		Issued 10-22-2013 Series 2013		Issued 11-26-2014 Series 2014	
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
		2.00%	\$ 155,000	1.50%	\$ 150,000
		2.00%	155,000	1.50%	150,000
		2.00%	160,000	2.00%	150,000
		2.00%	160,000	2.00%	150,000
		2.15%	170,000	2.25%	150,000
		2.35%	175,000	2.50%	150,000
		2.55%	180,000	2.50%	150,000
		2.75%	180,000	2.50%	150,000
		3.00%	190,000	2.75%	150,000
2.50%	\$ 65,000			2.75%	165,000
2.50%	135,000				
3.00%	140,000				
3.00%	145,000				
3.00%	150,000				
3.00%	155,000				
3.00%	155,000				
3.00%	160,000				
3.50%	165,000				
3.50%	170,000				
3.50%	180,000				
	<u>\$ 1,620,000</u>		<u>\$ 1,525,000</u>		<u>\$ 1,515,000</u>

General Obligation Bonds/Notes

Issued 4-7-2015 Series 2015		Issued 5-22-2012 Series 2012		Issued 5-12-2016 Series 2016	
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
1.50%	\$ 35,000	0.95%	\$ 360,000	1.50%	\$ 70,000
2.00%	36,022	1.10%	355,000	1.50%	70,000
2.00%	40,000	1.30%	355,000	2.00%	70,000
2.50%	40,000	1.50%	360,000	2.00%	80,000
2.50%	35,000	1.70%	360,000	2.00%	70,000
2.50%	40,000	2.00%	360,000	2.00%	75,000
2.50%	40,000	2.10%	620,000		
2.50%	35,000	2.20%	375,000		
2.50%	30,000	2.35%	380,000		
2.50%	35,000	2.50%	385,000		
2.50%	35,000	2.60%	275,000		
		2.70%	275,000		
	<u>\$ 401,022</u>		<u>\$ 4,460,000</u>		<u>\$ 435,000</u>

See Accompanying Independent Auditors' Report

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES - cont.
JUNE 30, 2016

General Obligation Bonds/Notes

Year Ending June 30,	Subtotal (B)	<u>General Obligation Total</u>
2017	\$ 465,000	\$ 2,895,000
2018	461,022	2,900,000
2019	465,000	2,800,000
2020	480,000	2,780,000
2021	465,000	2,995,000
2022	475,000	2,965,000
2023	660,000	3,150,000
2024	410,000	2,470,000
2025	410,000	1,925,000
2026	420,000	1,050,000
2027	310,000	450,000
2028	275,000	420,000
2029		150,000
2030		155,000
2031		155,000
2032		160,000
2033		165,000
2034		170,000
2035		180,000
	<u>\$ 5,296,022</u>	<u>\$ 27,935,000</u>

<u>Revenue Note</u>		
<u>Issued 5-22-2012</u>		
<u>Series 2012</u>		
Year Ending June 30,	Interest Rate	Amount
2017	1.15%	\$ 215,000
2018	1.35%	220,000
2019	1.55%	225,000
2020	1.70%	225,000
2021	1.95%	230,000
2022	2.10%	235,000
2023	2.20%	240,000
		<u>\$ 1,590,000</u>

All general obligation bonds/notes will be paid from the debt service fund.

Any payments from other funds will be recorded as transfers to the debt service fund.

(A) Total general obligation bond/notes to be paid by governmental funds.

(B) Total general obligation bond/notes intended to paid by enterprise funds.

CITY OF SPIRIT LAKE
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Cash Basis			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
RECEIPTS:				
Property tax	\$ 2,166,305	\$ 2,202,054	\$2,133,101	\$ 2,109,569
Tax increment financing	2,446,244	2,313,443	2,340,694	2,262,343
Other city taxes	1,206,558	1,254,330	1,095,831	1,129,072
Licenses and permits	47,590	35,243	49,843	47,290
Use of money and property	11,285	7,069	9,477	9,544
Intergovernmental	1,127,243	2,745,068	725,394	550,838
Charges for services	33,145	31,684	27,457	28,695
Miscellaneous	<u>166,760</u>	<u>99,411</u>	<u>646,912</u>	<u>335,423</u>
 TOTAL RECEIPTS	 <u>\$ 7,205,130</u>	 <u>\$ 8,688,302</u>	 <u>\$7,028,709</u>	 <u>\$ 6,472,774</u>
 DISBURSEMENTS:				
Public safety	\$ 1,202,134	\$ 1,169,593	\$1,128,910	\$ 1,100,254
Public works	991,885	908,359	946,036	703,038
Health and social services	36,175	33,725	33,725	35,525
Culture and recreation	638,877	632,133	622,094	625,480
Community and economic development	239,247	717,713	283,235	225,725
General government	395,660	379,223	392,608	379,134
Debt service	7,815,701	6,498,858	2,690,267	16,488,386
Capital projects	<u>1,852,470</u>	<u>3,951,168</u>	<u>2,088,512</u>	<u>2,374,083</u>
 TOTAL DISBURSEMENTS	 <u>\$13,172,149</u>	 <u>\$14,290,772</u>	 <u>\$8,185,387</u>	 <u>\$21,931,625</u>

Cash Basis					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,999,309	\$ 1,950,264	\$ 1,930,557	\$ 1,813,026	\$ 1,284,869	\$ 1,463,280
2,464,146	2,415,385	2,337,003	2,030,722	2,839,656	1,878,437
1,086,892	965,362	875,002	970,243	965,017	993,763
30,701	27,898	27,208	20,078	54,162	90,771
12,804	22,757	29,311	36,480	122,085	146,201
601,562	527,835	501,736	444,811	732,578	739,507
18,160	22,325	31,933	27,477	13,448	88,022
<u>133,612</u>	<u>209,964</u>	<u>130,984</u>	<u>222,450</u>	<u>168,498</u>	<u>283,654</u>
<u>\$ 6,347,186</u>	<u>\$ 6,141,790</u>	<u>\$ 5,863,734</u>	<u>\$ 5,565,287</u>	<u>\$ 6,180,313</u>	<u>\$ 5,683,635</u>
\$ 1,108,913	\$ 1,014,802	\$ 1,072,431	\$ 984,546	\$ 850,649	\$ 951,592
977,962	866,225	926,717	873,090	743,808	1,696,476
31,916	31,666				
573,516	512,734	568,185	538,887	538,536	585,403
526,226	110,250	43,381	5,870	51,115	225,124
369,424	356,029	485,849	475,301	422,408	495,719
9,337,774	9,556,100	4,438,312	2,685,985	2,248,864	3,116,251
<u>928,559</u>	<u>626,106</u>	<u>3,742,597</u>	<u>1,150,182</u>	<u>3,080,405</u>	<u>6,914,420</u>
<u>\$13,854,290</u>	<u>\$13,073,912</u>	<u>\$11,277,472</u>	<u>\$ 6,713,861</u>	<u>\$ 7,935,785</u>	<u>\$13,984,985</u>

OTHER INFORMATION

CITY OF SPIRIT LAKE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 2,166,305		\$ 2,166,305
Other city taxes	1,206,558		1,206,558
Tax increment financing revenues	2,446,244		2,446,244
Licenses and permits	47,590		47,590
Use of money and property	11,285	\$ 20,864	32,149
Intergovernmental	1,127,243		1,127,243
Charges for services	33,145	3,284,046	3,317,191
Miscellaneous	<u>166,760</u>	<u>21,480</u>	<u>188,240</u>
TOTAL RECEIPTS	<u>7,205,130</u>	<u>3,326,390</u>	<u>10,531,520</u>
DISBURSEMENTS:			
Public safety	1,202,134		1,202,134
Public works	991,885		991,885
Health and social services	36,175		36,175
Culture and recreation	638,877		638,877
Community and economic development	239,247		239,247
General government	395,660		395,660
Debt service	7,815,701		7,815,701
Capital projects	1,852,470		1,852,470
Business type		<u>2,555,306</u>	<u>2,555,306</u>
TOTAL DISBURSEMENTS	<u>13,172,149</u>	<u>2,555,306</u>	<u>15,727,455</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(5,967,019)</u>	<u>771,084</u>	<u>(5,195,935)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in	3,324,488	259,000	3,583,488
Operating transfer out	(2,882,495)	(700,993)	(3,583,488)
Bond and note proceeds - net	<u>6,177,106</u>		<u>6,177,106</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,619,099</u>	<u>(441,993)</u>	<u>6,177,106</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	652,080	329,091	981,171
BALANCE - BEGINNING OF YEAR	<u>2,850,239</u>	<u>3,854,403</u>	<u>6,704,642</u>
BALANCE - END OF YEAR	<u>\$3,502,319</u>	<u>\$4,183,494</u>	<u>\$7,685,813</u>

Schedule 5

Less Funds Not Required to be <u>Budgeted</u>	<u>Net Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
	\$ 2,166,305	\$ 2,163,571	\$ 2,163,571	\$ 2,734
	1,206,558	1,201,822	1,231,822	(25,264)
	2,446,244	2,443,751	2,443,751	2,493
	47,590	47,150	47,150	440
\$ 3,107	29,042	10,050	10,050	18,992
	1,127,243	880,351	1,028,540	98,703
38,480	3,278,711	3,323,940	3,380,440	(101,729)
2,224	186,016	108,200	103,200	82,816
<u>43,811</u>	<u>10,487,709</u>	<u>10,178,835</u>	<u>10,408,524</u>	<u>79,185</u>
	1,202,134	1,254,652	1,283,282	81,148
	991,885	895,611	1,106,111	114,226
	36,175	36,574	37,074	899
	638,877	663,501	689,078	50,201
	239,247	163,784	241,210	1,963
	395,660	416,502	451,502	55,842
	7,815,701	3,312,760	7,845,009	29,308
	1,852,470	1,724,500	2,011,116	158,646
<u>42,798</u>	<u>2,512,508</u>	<u>3,152,581</u>	<u>3,022,581</u>	<u>510,073</u>
<u>42,798</u>	<u>15,684,657</u>	<u>11,620,465</u>	<u>16,686,963</u>	<u>1,002,306</u>
<u>1,013</u>	<u>(5,196,948)</u>	<u>(1,441,630)</u>	<u>(6,278,439)</u>	<u>1,081,491</u>
109,000	3,474,488	4,746,049	4,748,352	(1,273,864)
(150,000)	(3,433,488)	(4,746,049)	(4,748,352)	1,314,864
	<u>6,177,106</u>	<u>1,600,000</u>	<u>6,177,105</u>	<u>1</u>
<u>(41,000)</u>	<u>6,218,106</u>	<u>1,600,000</u>	<u>6,177,105</u>	<u>41,001</u>
(39,987)	1,021,158	158,370	(101,334)	1,122,492
<u>778,168</u>	<u>5,926,474</u>	<u>6,638,895</u>	<u>6,638,895</u>	<u>(712,421)</u>
<u>\$738,181</u>	<u>\$ 6,947,632</u>	<u>\$ 6,797,265</u>	<u>\$ 6,537,561</u>	<u>\$ 410,071</u>

CITY OF SPIRIT LAKE
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2016

The budgetary comparison is presented as Other Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$5,066,498. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

CITY OF SPIRIT LAKE
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS *
(IN THOUSANDS)

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability018390%	.018103%
City's proportionate share of the net pension liability	\$ 909	\$ 718
City's covered-employee payroll	\$ 1,944	\$ 1,942
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.76%	36.97%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF SPIRIT LAKE
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS *
(IN THOUSANDS)

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 183	\$ 181	\$ 180	\$ 173	\$ 162	\$ 142
Contributions in relation to the statutorily required contribution ...	<u>183</u>	<u>181</u>	<u>180</u>	<u>173</u>	<u>162</u>	<u>142</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll ..	\$ 1,990	\$ 1,944	\$ 1,942	\$ 1,900	\$ 1,879	\$ 1,838
Contributions as a percentage of covered-employee payroll	9.20%	9.31%	9.27%	9.11%	8.62%	7.73%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF SPIRIT LAKE
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of Assumptions

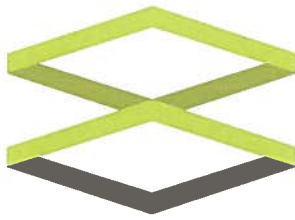
The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included a one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.



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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Members of the City Council
City of Spirit Lake
Spirit Lake, IA 51360

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Spirit Lake's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as Item I-A-16 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Spirit Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Spirit Lake's Responses to Findings

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spirit Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winter, Starn + Co., LLP

December 2, 2016
Spencer, Iowa

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted, because of the limited number of employees, there are times when employees are performing duties which are not compatible.

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review its control procedures.

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting

II-A-16 Certified Budget - Disbursements for the year ended June 30, 2016 did not exceed budgeted amounts.

II-B-16 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-16 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-D-16 Business Transactions - The City paid Spirit Lake Mainsail (Mainsail) \$45,000 during the year ended June 30, 2016. Mayor Blain Andera is the executive director of Mainsail. This does not appear to represent a conflict of interest since the mayor is only an employee of Mainsail and does not have a vote on the Mainsail funding.

The only other related party transactions noted were \$65 of payments to Converged Technologies, LLC, a company owned by Jerry Harbst, Council Member, and \$68 of payments to Long Branch Tree Care, a company owned by John Chappas, Council Member. The transactions do not appear to represent a conflict of interest since the amounts are less than \$1,500.

II-E-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-16 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. We noted that beginning in April 2016 the City stopped including in the minutes a summary of all receipts and total disbursements by fund.

Recommendation - We recommend the City continue to report the above information.

Response - This was the result of a software conversion in April 2016. We will correct this in the future.

Conclusion - Response accepted.

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-G-16 Revenue Bonds/Notes - No non-compliance with revenue note provisions were noted.

II-H-16 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-16 Urban Renewal Report - The urban renewal annual report for the fiscal year ended June 30, 2015 was approved and certified to the Iowa Department of Management on or before December 1, 2015. We noted that several disbursements made in fiscal year June 30, 2015 were not included in the beginning TIF debt outstanding. These included the TIF portion of the water tower bond payment, paying agent fees, and bond issuance costs. As a result, the ending TIF obligation balance was understated by approximately \$145,650.

Recommendation - We recommend the City include in the beginning TIF debt all obligations expected to be paid during the fiscal year.

Response - This will be corrected on future reports.

Conclusion - Response accepted.

II-J-16 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the City with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.